



## Joint Legislative Audit and Review Commission

### 2000 Fiscal Impact Review

**Bill Number:** HB857 as Introduced  
**Review Requested By:** Delegate Cranwell  
**Chairman of:** House Finance

#### **X Concur**

JLARC Staff concur with the fiscal impact statement referred for review

#### **Concur with Reservations**

With the reservations noted below, JLARC staff concur with the fiscal impact statement referred for review

#### **Non-Concur**

As noted below, JLARC staff do not concur with the fiscal impact statement referred for review.

#### **Bill Summary**

Provides an allowance to the owner of a "qualified investment project" equal to the State's 3.5 percent portion of the sales and use tax for the amount expended for all materials purchased for the project. A "qualified investment project" is any real estate improvement project that is: (1) commenced in the Commonwealth after January 1, 1999, (2) includes at least 1,750,000 square feet of finished office space, (3) is able to accommodate at least 10,000 persons, and (4) has a real estate investment of at least \$350,000,000.

#### **Fiscal Implications**

<u>FUND SOURCE</u>	<u>DOLLARS</u>	<u>POSITIONS</u>
<b>FY 2001</b>		
General Fund	\$3,410,000	0.00
Non General Fund	\$580,000	0.00
<b>FY 2002</b>		
General Fund	\$1,710,000	0.00
Non General Fund	\$290,000	0.00
<b>FY 2003</b>		
General Fund	\$0	0.00
Non General Fund	\$0	0.00
<b>Cumulative</b>		
General Fund	\$5,120,000	0.00
Non General Fund	<u>\$870,000</u>	<u>0.00</u>
<b>TOTAL</b>	<b>\$5,990,000</b>	<b>0.00</b>

JLARC staff concur with the Department of Taxation's fiscal impact statement that HB857 will have a negative revenue impact to the State of \$6 million over the upcoming biennium. JLARC staff contacted representatives from a business developing an office project in Virginia that might qualify for the specific allowance authorized by HB857. Company representatives reported that if they were to qualify under the provisions of HB857 and with all planned construction at the site completed, the total State sales and use tax allowance for the qualified property listed in HB857 would range from \$5.9 million to \$6.4 million. As reported by the Department of Taxation, the majority of reimbursement for the State sales and use tax allowance would likely occur in FY 2001.

(NOTE: While JLARC staff agree with the Department of Taxation's fiscal impact analysis, the analysis is limited to only one qualifying investment project. It is unclear whether there are other qualifying investment projects underway or planned in the near future.)

**Budget Amendment Necessary**

Yes. Item 544.

**Agencies Affected**

Taxation - Department of

**Date Released, Prepared By:** 02/07/2000; Walter Smiley

JLARC Staff offer the above Fiscal Impact Review in Accordance with Item 16K of Chapter 935 (1999 Acts of Assembly).  
JLARC Fiscal Impact Reviews do not comment on the merits of the bill under review.